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## AMERICAN MANUFACTURES AND FOREIGN MARKETS

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I cannot bring myself to feel that the foreign trade of the United States is anything like what it could be or should be. While I recognize that other obstacles than tariff schedules, at home and abroad, have stood in the way of the development of our commerce, it is with the tariff that I am chiefly concerned in this article. In my opinion, the abuse of the protective system by well-informed lawmakers, safe in the indifference of a well-meaning but uninformed public, has been responsible for a very dangerous perversion of national purpose, if not of national character.

The word "protection" is a great word. The people have accepted it at its face value. They have cheerfully and unthinkingly, I maintain, supported the high protective policy for more than a generation, in the belief that it stood for a proper equalization of labor conditions here and abroad; if for anything more, a slight but not unreasonable advantage in the home market. This last, moreover, has been rather an offshoot or incidental result of the system than a primary purpose with the voters, all the more dangerous to the general interest because of the subtle nature of its growth.

It is a popular delusion that goods of foreign manufacture are invariably produced cheaper than the same lines could be made in this country. The American people have been for so long educated to this fallacy that when tariff reductions are proposed, the popular mind at once jumps to the conclusion that these reductions would be followed by a "flood of foreign goods," which would break prices in this country, bring on a general business depression and curtail wages. Such a belief—generally speaking—is based upon no knowledge of actual industrial conditions; and it is needless to say that it is systematically encouraged by the politicians, to whom change may mean personal disaster.

Another mistaken notion, peculiar to the United States, relates to the value of an import trade. Your high protectionist regards

imports as a dead loss, a drain upon the resources of the country, a peril to be checked. He can see no profit in them, and affects to believe that every dollar's worth of imports into the United States displaces a dollar's worth of American goods. Others, perhaps as well informed as this exclusionist, think differently. One of the prime functions of an imported article is to make two American dollars grow where one grew before, particularly if the article be a raw or partly finished product or a machine. The heavy burden laid on the woolen industry by the excessive duties on raw wool is a case in point.

Equally delusive is the prevailing American idea that the foreigner is temperamentally so constructed that he prefers a low to a high selling price. To hear the arguments of some high protectionists, one would be led to believe that nowhere but in the United States is there a desire for profits in a business transaction. A most striking example of the incorrectness of this theory has been developed in the course of agitation for reciprocity with Canada. The United States has an enormous exportable surplus of wheat, the raisers of which, therefore, can by no possibility be benefited by a protective tariff. There is, however, the usual needless duty on wheat of twenty-five cents a bushel; and when it was proposed in the United States to abolish this duty, to the evident advantage of our mills, railroads, ports and commission merchants, the customary shriek went up from the high protectionist camp that such action "would ruin the American farmer." Our Canadian friends would have been pleased, of course, to have the duty removed; but not, it appeared, for the reason assigned by the high protectionists. On the contrary, the Canadian argument for free trade in wheat, voiced by men of the stamp of John Charlton, was that the Canadian growers *wanted the benefit of the competition of American buyers in Canadian markets*. In other words, the guileless Canadians, in advocating free wheat, were looking for a chance to raise and not to depress their prices.

This incident is full of significance to the business man. In my experience with the Canadian reciprocity movement I have found that where the Canadians favored reciprocity at all, it was because it would give them the opportunity of raising their prices to the American level. One of the most palpable of the ill effects of an exclusive tariff is that it has a tendency to lower the standard of

quality, wages and prices abroad, and thus create the very bugbear with which the advocates of freer trade have to contend. A chief advantage of reciprocity with Canada would be found not primarily in reducing prices, although that would follow in some needed cases, but in checking the tide of hostile tariff legislation which has now set in against us.

These and other popular misconceptions have been very shrewdly utilized by the dictators of our fiscal legislation. Until the period of our Civil War we had got along prosperously under a moderate tariff, but, beginning in 1861, under the pressing need of revenue, a series of "war tariffs" was enacted, which reached their climax in 1864, with average duties of 47.6 per cent. It was not pretended that the high duties levied by these tariffs were for other than revenue purposes or were to be more than temporary, while many of the duties on imports of manufactures were assessed as an offset to the internal taxes made necessary by the demands of war. To make a long story short, most of the duties levied under these extraordinary circumstances have been continued to the present time, and many of them have been increased. (The average rate of duty on dutiable imports for 1906, under the Dingley Act, was 44.16 per cent.) Not only this, but year after year articles, particularly raw materials, have been transferred from the free to the dutiable list, until to-day there is a tariff tax upon practically every article of commerce, of whatever nature, produced in this country. These "political duties," as they may properly be termed, have been voted into the list regardless of any consideration of legitimate protection and in pursuance of a systematic scheme of blanketing all the products of the United States with "protection," that the number of opponents of protection might be kept as small as possible. I repeat, that the interests of legitimate protection have been completely ignored in the framing of our customs tariffs since the Civil War. For illustration, witness the coal, iron ore, pig iron, lumber, wheat, hide, copper, lead and borax duties. Of most of these articles the United States is the largest producer in the world, and we have had an abundance of all. Add cotton, corn and petroleum—the last named dutiable under certain circumstances—and climate, and you have a list of natural resources with which any civilized country could defy the world. I am not writing from the free trade point of view. I am merely trying to indicate that, from the point

of view of the protectionist, our fiscal system lays burdens upon our people which the necessities of honest protection do not warrant.

The United States is the only nation in the world that systematically imposes tariff taxes on raw materials. A raw material is equally valuable to a manufacturing industry, whether it be of domestic or foreign origin, and its price must necessarily be regulated by its quality and the demand for it. If a tariff restricts its use, as in the case of wool, industry, *i. e.* labor, cannot be the gainer. Not only has the number of sheep raised in the country *decreased* since the enactment of the McKinley bill, but the consumption of wool has decreased also—from 8.75 pounds per capita in 1890 to 5.97 pounds in 1900, and to a little more than 6 at present. In the same period, and up to the present time, the use of cotton and shoddy in the woolen industry has increased enormously. The wool duty, therefore, has failed to stimulate the raising of sheep, except in the sparsely settled Northern Rocky Mountain states, while it has debauched the quality of woolen goods not only in the United States but all over the world, thus causing grave injustice to the consumer; and it has utterly incapacitated our manufacturers to compete in the markets of the world. Most other leading industries are confident of their practical control of the home market under any circumstances, and are looking forward to the world's markets for their future development, if not prosperity. The woolen manufacturer, however, must keep on adulterating his goods and clinging to his rich home market so long as the foolish policy of taxing raw materials continues.

Whether because of the inability of our manufacturers to compete abroad or of the superior attractiveness of the home market, it is a fact that the exports of manufactures by the United States (\$686,000,000) make a very poor showing in comparison with the production of the country, constituting only about 4 per cent in 1906. The United States is the greatest manufacturing nation in the world, yet when more than 60 per cent of our exports are seen to be non-manufactures, while many articles outside this group represent only the roughest kind of manufacture, it is plain that we are not making the most of our opportunities.

Iron and steel, based upon raw materials (iron and coal) of which we are the largest producers in the world, led our exports in 1906, representing 23 per cent of our total exports of manufac-

tures and 14 per cent of our production of iron and steel. This was chiefly machinery, and demonstrates how eagerly our competitors are equipping themselves for competition with us in the markets of the world, both in manufacturing and agriculture. Some 40 per cent of our iron and steel manufactures were taken by Canada and Mexico alone. Copper formed the second largest item of our exported manufactures, although practically in the form of raw material. We exported 56 per cent of our entire production of mineral oils, 11 per cent of our cotton manufactures, the raw material of which was on the free list, and only *one-half of one per cent* of our woolen goods, weighted down as they were with duties approximating 50 per cent on raw wool.

We produce three-fourths of the world's cotton and send 63 per cent of it abroad. We sell abroad only one-tenth as much cotton goods as Great Britain, while her exports of cotton manufactures alone exceed by a billion yards the total production of the mills of the United States for the domestic and export trade combined. The products of German cotton mills to-day are sold eighteen months ahead, while Italy, raising not more than 10,000 bales of cotton and importing 500,000 bales from us has developed in twenty years a cotton manufacture which gives employment to 300,000 persons, or more than the total population of Fall River, New Bedford and Lowell combined. Italy exported more than \$15,000,000 worth of cotton goods in 1906, yet she is paying thirteen dollars a ton for her coal. This is not intended to be an exhaustive presentation, but it is sufficient to show that the chief service rendered by our export trade, so far, is to feed the remainder of the world and to equip it with the tools with which to supply the individual wants of all mankind outside the United States.

To turn for a moment to the import side of the situation, of our total imports of \$1,226,000,000 in 1906, no less than \$635,000,000, or 52 per cent, exclusive of foodstuffs like sugar, fruits and wines, were of raw or partly manufactured materials for further use in manufacturing, an increase of more than \$300,000,000 in fifteen years. Of these, some \$237,000,000, or about 35 per cent, were dutiable at rates ranging from 10 per cent to more than 50 per cent ad valorem. The full extent of the handicap to industry by these burdens laid upon their basic raw material is only outlined in the statistics of import, for in many instances importation

is prohibited by these tariff taxes, while in others the price for the domestic article is needlessly increased by the tariff.

That the situation is of distinct disadvantage to all labor and capital employed in manufacturing is clear, while the attempt of manufacturers to uphold themselves by their boot straps, as it were, by means of high compensatory duties, is uneconomic, to say nothing of the moral question involved with relation to the consumer.

The duties on raw materials are justified by some distinguished high protectionists on the ground that the producer of raw materials is entitled to protection equally with the manufacturer. His rights certainly are equal to those of any other producer, but he does not get true protection by making it difficult to conduct profitably the mill or factory which is buying his goods. Prices are and always must be determined by the laws of supply and demand. When artificial they are unstable and likely to fall disastrously at any time. When the price of a raw material is artificially raised above the actual value of that commodity as an element of manufacture, the producer is getting something to which he is not entitled by any law of justice or reason, whatever the law as written in the tariff schedules may be.

Artificial prices are bound to curtail production and encourage substitutes and adulteration. Business to-day, prosperous as it is, is only a fraction of what it might be but for the artificial prices of coal, iron, lumber, hides and wool. In my own vicinity, for example, hundreds of acres of choice land are lying vacant upon which capital would be glad to build if a reign of inflated prices did not restrict construction to the most pressing necessities. The most serious consequence of this condition is that the people are compelled to live in inferior houses—"three-deckers" and flats instead of single homes of their own.

Considerations like the foregoing, it seems to me, indicate clearly why the United States has not yet come into its own as a manufacturing nation. I cannot agree that the home market is indefinitely to be preferred to the world market; but whether or not, the world market must prove the ultimate salvation of American manufacturers, and now is the time to prepare for sharing it. The iron and steel trade has demonstrated with what success the foreign field may be entered. Our boots and shoes are now sold abroad in quantities equal to England's. The experiment with Southern

cotton goods has demonstrated that in some lines of cotton manufacture, at least, notwithstanding all handicaps American cottons may supply a profitable share of the enormous demand for cottons in the Orient and elsewhere. In no other country unless India, would Great Britain have a more promising field for a permanent cotton trade than China, yet many of our Southern cotton mills are manufacturing exclusively for the Chinese market. Of \$36,000,000 worth of uncolored cottons sold abroad in 1906, nearly \$30,000,000 went to China. In the past four years our exports of cotton goods have increased faster than in the ten years previous. To China we sent in 1892, \$3,881,000 worth of manufactured cottons. In 1906, \$29,377,000 worth.

Cotton manufacture is only in its infancy in this country. Nor need it depend on child labor, cruel hours and high tariffs to hold the domestic or compete successfully in any foreign market. The long period of high tariffs on everything entering into the construction and operation of a mill, with the heavy duties on imports and higher cost to the American consumer than would be tolerated anywhere else in the world, must give way to an era in which artificial handicaps to production must be removed. The path to economical manufacturing must be cleared, and then American made textiles will stand with American iron and steel in the markets of the world, and the labor which produces them will be equally well paid.

Surveying the field broadly, our present prosperity is feverish and apprehensive, ever trying to discount in advance the hour when some disaster or failure of crops may bring a sudden recession of business from which we cannot quickly recover. The greatest safeguard against such an emergency is a stable foreign trade, acquired by slow and patient methods perhaps, but with a world-wide basis and a corresponding solidity. One by one the great industries of the country are seeking foreign outlets, and they that succeed will best stand the strain when the inevitable period of business depression comes. Said Mr. Gladstone, in 1881, speaking to Englishmen of the commercial supremacy of Great Britain: "Nothing in the world can wrest it from you while America continues to fetter her own strong hands and arms, and with these fettered arms is content to compete with you who are free in neutral markets."